



A Gaze Through Tax Audit Indonesia

An Overview of Tax Audit Activities in
Indonesia

Monthly Newsletter
October 2022

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A Gaze Through Tax Audit Indonesia

by Shaheila Roeswan and Maulana Ibrahim

Being a taxpayer comes with a series of compliance responsibilities. Maintaining cooperation with the Directorate General of Taxes (“DGT”) when they conduct a Tax Audit is one of these responsibilities. The obligation to cooperate is important to fulfil as it is mandatory for the DGT to perform an audit in the case of suspicious filings and reports.

That being said, it is important for taxpayers to maintain tax compliance. For example, by conducting an internal review, taxpayers are able to plan and prepare for should there be a Tax Audit from the DGT.

An Introduction to Tax Audit in Indonesia

Tax Audit is a series of activities conducted by the DGT, consisting of activities that involve collecting and processing data, information and/or other evidence objectively and professionally based on a certain standard to test a taxpayer's compliance in fulfilling their tax obligations and/or for other purposes including the implementation of taxation laws and regulations.

The purpose of performing a Tax Audit is foremost a way to ensure that the taxpayer has fulfilled their tax obligations as stated in the taxation laws and regulations. Such actions can be shown through the fulfilment of obligations, the number of taxes paid, preparation of withholding tax slips and VAT invoices, and submission of tax returns.

Tax Audit in Indonesia itself is based on the Law Number 6 Year 1983 regarding General Provisions and Tax Procedures ("KUP") as amended several times lastly by the Law Number 7 Year 2021 regarding the Harmonization of Tax Regulations. KUP Law further explains the Tax Audit process, including how to perform such an audit which will be further explained by the Ministry of Finance Regulations ("PMK"). Therefore, the Ministry of Finance has then issued PMK Number 17/PMK.03/2013 regarding the Tax Audit Procedure as amended by PMK Number 18/PMK.03/2021.

Tax Audit is applicable to every taxpayer, whether it is individuals or corporations, where the activity will be performed by tax auditors from the DGT. However, a Tax Audit must not be performed carelessly, as it shall follow a set of rules and regulations.

For comparison, every country has its own tax authority institution under different tax regulations. In the United States of America, for example, every citizen is required to report their income tax and tax returns to an institution named IRS or Internal Revenue Service. In Australia, such duty is fulfilled by the Australian Taxation Office, known as the ATO. In Indonesia, the taxation institution elected to perform the collection of tax revenue and perform Tax Audits is named the Directorate General of Taxes, better known as the DGT.

Tax Audit: An Overview

A Tax Audit process is first and foremost begins with the issuance of a Tax Audit Instruction Letter or known as "SP2" from a Tax Office ("Kantor Pelayanan Pajak" or "KPP"), which will disclose the criteria for a Tax Audit, the purpose, the type of tax, as well as the period of tax that will be audited. The appointed Tax Auditor will then deliver a Letter of Field Tax Audit or Summoning Letter based on the SP2. The Tax Auditor will then deliver a request letter for books, notes, and documents that will attach a list of books, notes, and/or documents that are needed by the auditor.

Upon the delivery of these letters, Tax Auditor is required to conduct a meeting with the Taxpayer in order to inform and explain the reasoning and objectives of the said Tax Audit, including the rights and obligations of the taxpayer (including their obligation to lend the required documents for Tax Audit purposes). This series of processes will then be recapped in a Minutes of Meeting ("Berita Acara Hasil Pertemuan").

Taxpayers are obligated to submit a requested document within 1 (one) month since the request letter for borrowing the documents. After said document is submitted, the Tax Auditor will then examine and inspect the documents. The Tax Auditor will provide results through the issuance of Notification of Tax Audit Findings (“SPHP”) which will have a list of findings attached to the results. Within 7 (seven) working days, taxpayers are obligated to respond back in a written form. Said period of time can be extended at the maximum of 3 (three) working days.

Upon delivery of a written response, Tax Auditor will send out a Closing Conference Invitation (“Undangan Pembahasan Akhir Hasil Pemeriksaan”) which states the date of Closing Conference which shall take place no longer than 3 (three) working days since the acceptance of Written Response. Tax Auditor will then conduct a Closing Conference with the Taxpayer and conclude the meeting on a Minutes of Closing Conference (“Risalah Pembahasan”). The taxpayer will have to state Agree or Disagree to each of the proposed corrections.

If there are several items that are not yet agreed, taxpayers can file a discussion request with a Quality Assurance team. If said request is not filed, the Tax Auditor will then issue a Minutes of Closing Conference which has a Summary of Closing Conference (“Ihtisar Hasil Pembahasan Akhir”). The Tax Auditor will then develop a Tax Audit Report (“Laporan Hasil Pemeriksaan”), which provides a basis to develop a Calculation Note (“Nota Penghitungan”) as well as a Tax Assessment Letter (“Surat Ketetapan Pajak) or Tax Collection Letter (“Surat Tagihan Pajak”).

Tax Audits will generally last a maximum of 8 (eight) months for field audits and 6 (six) months for office audits. This period has taken into account the time period for the closing conference, which is a maximum of 2 (two) months. This period can also be extended for a maximum period of 2 (two) months and even 18 (eighteen) months under certain conditions.

Tax Audit Tips

- Taxpayers can conduct a tax review internally in terms of the fulfilment of their taxation obligations by following methods and techniques that are used within a Tax Audit process. In addition, taxpayers could also prepare any documents and information that will most likely be asked for during a Tax Audit. Taxpayers are also suggested to maintain their communication and relationship with the Tax Auditor during Tax Audit to control the progress of the Tax Audit and to mitigate any “surprise” findings.
- It is also encouraged to seek advice from Tax Consultants to overcome tax-related challenges and answer tax-related questions. Such effort may help mitigate tax risks and ensure tax compliance and fulfilment of tax obligation.

Monthly Highlights

Tax News Summary for October 2022

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Photo by kanchanachitkamma

The DGT is currently implementing online book-entry services in several tax offices across Indonesia

Online Book-entry Submission Currently on Trial in Several Tax Offices

The Directorate General of Taxes is currently developing a new system for taxpayers to be able to request a book-entry form submission without having to go to tax offices.

The system is currently being tested on several tax offices across Indonesia and hopefully are able to be fully implemented later on.



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Monthly Highlights

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After being held off twice in 2022, Indonesia plans to implement Carbon Tax in 2025, by looking at global regulations



Photo by rosst400

Carbon Tax Plans To Be Implemented in 2025

The long-awaited carbon tax implementation will finally see its light. The carbon tax is set to be implemented around 2025, although the exact date is currently still unknown.

In addition, the accurate details of the implementation is unknown until now, with only several details can be pieced through earlier news.



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Monthly Highlights

Tax News Summary for
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The Head of the Nusantara Capital Authority is keen on pushing investors towards the Nusantara Capital City with incentives.



Photo by HAKINMHAN on Getty Images

A Variety of Incentives in the Plans for Nusantara Capital City Investors

The Head of Authority of the Nusantara Capital City plans to pull in investors by having a variety of incentives in the Capital City.

The incentives will circle around the need to push development in the Nusantara Capital City, such as tax holiday dan tax deductions.



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Monthly Highlights

Tax News Summary for
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Tax revenue 2022 has now reached 88.3% of the total target and is certain that the 2022 target will be fulfilled



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Photo credit by The Ministry of Finance Official YouTube Channel

Tax Revenue per September 2022 Hits IDR1,310.5 T, But Declines in Monthly Growth

The latest update of the national tax revenue has now reached IDR1,310.5 T and has fulfilled 88.3% of the total target for 2022 tax revenue.

However, the tax revenue growth has declined starting from June 2022, where now in September 2022, its monthly growth only reaching 28%.



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Tax Calendar

November 2022

MON	TUE	WED	THU	FRI	SAT	SUN
31	1	2	3	4	5	6
7	8	9	10	11 Happy Anniversary MIB!	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	1	2	3	4
5	6	7	8	9	10	11

Reminders

10 November 2022 Payment Deadline : October 2022 Article 4(2), 15, 21/26, 22, and 23/26 Income Tax

15 November 2022 Payment Deadline : October 2022 Article 25 Income Tax, SME Final Income Tax, and Self-Assessed Value Added Tax

21 November 2022 Filing Deadline : October 2022 Article 4(2), 15, 21/26, 22, 23/26, and 25 Income Tax

30 November 2022 Payment and Filing Deadline : October 2022 Value Added Tax

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